

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6465

BILL NUMBER: SB 209

NOTE PREPARED: Feb 13, 2014

BILL AMENDED:

SUBJECT: Public Employee Contributions to ASA Only Pension Plan.

FIRST AUTHOR: Sen. Walker

FIRST SPONSOR: Rep. Burton

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill permits a member of the Public Employees' ASA Only/Defined Contribution Plan (DC Plan) to make contributions to the DC Plan in addition to the required contribution of 3% of the member's compensation paid by the state on behalf of the member each year. It provides that additional contributions to the DC Plan are made on the same basis and subject to the same limitations as additional contributions made by a member of the Public Employees' Retirement Fund (Hybrid Plan).

Effective Date: July 1, 2014.

Explanation of State Expenditures: The bill's requirements are within INPRS' routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Additional Information: PERF members typically participate in a hybrid pension system (Hybrid Plan), consisting of both a conventional pension benefit and an annuity savings account (ASA) which is funded by member contributions. State employees who are members of the Hybrid Plan have their 3% member contribution into the ASA "picked up" by the state, which means that the state, as the employer, makes the contribution on the member's behalf. Members are then able to contribute an additional amount (either pre-or post-tax) to the ASA. Currently, member contributions are limited to 10% of their salary per pay period.

The DC Plan, which began operating in March 2013, is available to new state employees who were not previously members of the Hybrid Plan. Employer contributions are identical for both the DC Plan and the Hybrid Plan.

In the DC Plan, the employee's account receives a minimum of 3% and a variable rate contribution that is not greater than the actuarial normal cost of the Hybrid Plan, currently 4.6%. The amount not credited to the member's account is applied to the Hybrid Plan's unfunded liability (11.2% less 4.6%, which equals a 6.6% contribution to the Hybrid Plan's unfunded liability).

Some new employees may choose the DC Plan due to the fact that members in the DC Plan are 100% vested in the DC Plan after 5 years, whereas Hybrid Plan members are vested after 10 years. The vesting on the DC Plan only refers to the variable rate contribution - the 3% employer contribution and any additional employee contributions are immediately 100% vested.

The bill allows the DC Plan, which began operating in March 2013, to allow its members to contribute additional amounts to their ASAs, similar to the additional contributions allowed by Hybrid Plan members.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: INPRS.

Local Agencies Affected:

Information Sources: INPRS Board of Trustees Board Meeting Exhibits, 12/13/2013; INPRS ASA Only vs. Hybrid Plan FAQs, www.in.gov/inprs/2759.htm (Accessed 12/22/13); <http://www.in.gov/inprs/perfmbrforms.htm>.

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